

Message Text

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PAGE 01 REYKJA 00330 01 OF 02 081640Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-10 LAB-04
NSAE-00 SIL-01 PA-01 USIE-00 DOTE-00 SS-15 SP-02
/054 W

-----018672 081757Z /23

R 081547Z MAR 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 8212
INFO AMEMBASSY COPENHAGN
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
COMICE
EFOR KEFLAVIK IC

C O N F I D E N T I A L SECTION 1 OF 2 REYKJAVIK 0330

E.O. 11652: GDS
TAGS: ELAB, IC
SUBJECT: MARCH 1 - 2; STRIKE FAILS BUT GO GETS MESSAGE

SUMMARY: RESULTS OF GENERAL STRIKE URGED BY MOST LEADERS OF
PUBLIC AND PRIVAT SECTOR LABOR UNIO
FEDERATIONS FOR MARCH 1 -
2 IN RESPONSE TO GOI DEFLATIONARY MEASURES WERE DISAPPOINT-
ING TO UNION LEADER IN THAT THEY WERE UNABLE TO BRING COUNTRY
TO COMPLETE HALT AS THEY HAD HOPED TO DO. SOME ECONOMIC
ACTIVITY, HOWEVER, DID STOP, VULNERABILITY OF ICELAND TO SUCH
PRESSURES WAS AGAIN DEMONSTRATED, AND GOI HAS GOTTEN MESSAGE
THAT MANY IN LABOR MOVEMENT DISSATISFIED WITH RECENTLY-
APPROVED ECONOMIC MEASURES. QUESTION NOW IS WHAT GOI WILL DO IF
UNIONS WHIC CAN STRIKE LEGALLY APRIL 1 CARRY OUT THEIR AN-
NOUNCED INTENTION TO DO SO. END SUMMARY.

1. IN EXPANSIVE STATEMENTS FOLLOWING END OF MARCH 1 -
2 LABOR ACTION, LEADERS OF FEDERATION OF STATE AND
MUNICIPAL EMPLOYEES (BSRB) AND ICELANDIC FEDERATION
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PAGE 02 REYKJA 00330 01 OF 02 081640Z

OF LABOR (IFL) HAILED "GENERAL STRIKE" AS OVERWHELMING
SUCCESS. IT WAS NOT. OVER 90 PERCENT OF GOVERNMENT
EMPLOYEES WERE AT WORK, AND MOST BUSINESS AND COMMERCE
CONTINUED RELATIVELY UNHAMPERED. ABSENTEEISM IN MOST
INDUSTRIES WAS REPORTEDLY NOT ENOUGH TO STOP PRODUC-
TION. HOWEVER, THE ALUMINUM PLANT (ICELAND'S
LARGEST INDUSTRIAL ENTERPRISE), SOME FISH FREEZING AND

PROCESSING PLANTS, THE STEAMSHIP COMPANY, PORTS, TELEVISION, AND PRESS WERE CLOSED. SOME SCHOOLS WERE ALSO CLOSED, "STRIKE GUARDS" KEPT MOST GAS STATIONS SHUT WITH THREATS OF VIOLENCE, AND REYKJAVIK AIRPORT WAS SHUT DOWN BY SINGLE INDIVIDUAL WHO BLOCKED TRAFFIC BY DRIVING VEHICLE ONTO RUNWAY.

2. THERE IS REASON TO BELIEVE, HOWEVER, THAT LABOR LEADERS MEANT ACTION TO BE MORE OF A PROTEST AGAINST GOI ECONOMIC MEASURES AND WAY IN WHICH LABOR WAS KEPT OUT OF DECISION-MAKING PROCESS THAN REAL STRIKE. UNTIL LAST MONTH, LABOR HAD BEEN BROUGHT ALONG THROUGHOUT WHOLE PROCESS OF DEVISING MEANS TO COMBAT INFLATION AS PART OF COMMITTEE CHARGED WITH RESPONSIBILITY FOR COMING UP WITH RECOMMENDATIONS FOR GOI ACTION. MINORITY (LABOR) VIEW IN ANTI-INFLATION COMMITTEE REPORT ENDORSED GREATER RESTRAINTS ON PUBLIC EXPENDITURES AND TAX MEASURES WHICH WOULD HAVE HAD LESSER IMPACT ON WORKERS' INCOME THAN MAJORITY RECOMMENDATIONS. DEVALUATION AND SOME OTHER RECOMMENDATIONS COULD BE ACCEPTABLE TO LABOR, BUT AS FINALLY PRESENTED TO ALTHING, ECONOMIC BILL CASE AS SOMETHING OF AN UNPLEASANT SURPRISE TO LABOR LEADERS WHO HAD BEEN LED TO BELIEVE THAT THEIR VIEWS WOULD BE TAKEN MORE FULLY INTO ACCOUNT. FEDERATION'S LEADERSHIP FELT THAT IT HAD TO DEMONSTRATE BOTH TO RANK-AND-FILE AND GOI THAT CONFIDENTIAL

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PAGE 03 REYKJA 00330 01 OF 02 081640Z

IT WOULD NOT BE USED IN THIS WAY BY GOVERNMENT. IN ORDER TO SAVE FACE, LABOR LEADERS HAD TO DO SOMETHING.

3. ALTHOUGH CALLED A QUOTE GENERAL STRIKE UNQUOTE, LEADERS MUST HAVE REALIZED FROM THEIR OWN PRIVATE SOUNDINGS THAT FULL SCALE GENERAL STRIKE AS SUCH WOULD NOT MATERIALIZE. TOO MANY UNIONS HAD REJECTED SSTRIKE CALL IMMEDIATELY, AND WHOLE BRANCHES OF FEDERATIONS DECLARED IN ADVANCE THAT THEY WOULD NOT PARTICIPATE IN ILLEGAL ACTION. EVEN MANY UNIONS OF IFL THAT HAD GIVEN REQUIRED THIRTY-DAY NOTICE OF RENUNCIATION OF LABOR CONTRACTS WERE NOT INCLINED TO WALK OFF JOB SINCE THEY NEEDED ONLY WAIT ONE MONTH TO BE WITHIN THEIR LEGAL RIGHT TO STRIKE. NONETHELESS AS PROTEST, EVENTS OF MARCH 1 - 2 SENT A MESSAGE TO GOI.

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PAGE 01 REYKJA 00330 02 OF 02 081642Z
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C O N F I D E N T I A L SECTION 2 OF 2 REYKJAVIK 0330

4. INTERESTING SIDELIGHT OF STRIKE ACTION WAS WAY IN WHICH POLITICAL PARTIES HANDLED IT. GOVERNMENT PARTIES - INDEPENDENTS AND PROGRESSIVES - OPPOSED IT WHILE PEOPLE'S ALLIANCE WAS OUTSPOKEN IN ITS SUPPORT FOR STRIKERS. SOCIAL DEMOCRATS (SDP) HAD TO DANCE AROUND ISSUE, HOWEVER, TRYING TO PRESERVE THEIR PRO-LABOR CREDENTIALS WHILE REFUSING TO ENDORSE ILLEGAL STRIKE. FAR-LEFT THJODVILJINN, IN TWO-PART EDITORIAL, ARGUED THAT SDP WAS NOT TRULY REPRESENTING INTERESTS OF LABOR AND WAS DIVIDED WITH PARTY CHAIRMAN SUPPORTING STRIKE WHILE OTHER PARTY FIGURES WERE OPPOSED. IN FACT, SDP CHAIRMAN WAS AT WORK DURING STRIKE, AND ALL MAJOR SOCIAL DEMOCRATS DECLINED TO BE PINNED DOWN ONE WAY OR ANOTHER ON THEIR VIEWS OF THE LABOR ACTION.

5. WITH SO MANY UNIONS HAVING DECLARED THAT THEY ARE NO LONGER BOUND BY TERMS OF WAGE CONTRACTS SIGNED LAST YEAR, POSSIBILITY OF STRIKE-FILLED SPRING REMAINS. GOI DOES NOT SEEM TO BE TOO CONCERNED AT THIS POINT. FEELING IS THAT STRIKES, IF USED AS WEAPON TO TRY TO WREST HIGHER WAGES, WILL BACKFIRE TO GOVERNMENT'S
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PAGE 02 REYKJA 00330 02 OF 02 081642Z

ADVANTAGE. MEMBERS OF GOVERNMENT PARTIES MAINTAIN THAT WHILE NO ONE CAN BE PLEASED ABOUT REDUCTION IN QUARTERLY COST OF LIVING WAGE HIKES (ASPECT OF ECONOMIC PACKAGE THAT HITS WORKERS MOST DIRECTLY), LABOR HAS MORE TO FEAR FROM UNEMPLOYMENT WHICH WOULD

RESULT IF NO ECONOMIC MEASURES HAD BEEN TAKEN. THERE IS SOME MEASURE OF CONFIDENCE THAT GOVERNING PARTIES CAN GET THIS ACROSS TO VOTERS, AND THEREFORE THAT ANY DISRUPTION ASSOCIATED WITH SPRING STRIKES WOULD ONLY WORK TO HELP GOVERNING COALITION.

6. THOUGH GOI MAY BE SANGUINE, EMBASSY IS LESS SO. LABOR - GOI RELATIONS HAVE FREQUENTLY BEEN CONFRONTATIONAL, AND ALTHOUGH PRESENT GOVERNMENT HAS MADE PROGRESS IN EDUCATING PUBLIC ON NEED FOR GREATER AUSTERITY IF INFLATION IS TO BE DAMPENED AND UNEMPLOYMENT AVOIDED, IT STILL HAS LONG WAY TO GO AS EVIDENCED BY NUMBER OF INDUSTRIES AFFECTED BY LAST WEEK'S WALKOUTS. BLAKE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LABOR, GENERAL STRIKES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978REYKJA00330
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780104-0894
Format: TEL
From: REYKJAVIK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780393/aaaadajp.tel
Line Count: 184
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f0bf97cb-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3404106
Secure: OPEN
Status: NATIVE
Subject: MARCH 1 - 2; STRIKE FAILS BUT GO GETS MESSAGE SUMMARY: RESULTS OF GENERAL STRIKE URGED BY MOST LEADERS OF PUBLIC AND PRIVAT SECTOR LABOR UNIO
TAGS: ELAB, IC
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/f0bf97cb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014